

Income, Inequality and the Role of Social Safety Net Program in Eradicating Poverty from Bangladesh

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Abstract

This paper first examines the trends in income growth and inequality over the period 2008 to 2016 and then evaluates in that context the role of the Social Safety Net Program in eradicating poverty from Bangladesh. Though per capita income has grown at an annual average rate of around 10 per cent during this period, inequality remains high, and the World Bank data show that the Gini index for Bangladesh has increased from 32.1 per cent in 2010 to 32.4 per cent in 2016, indicating a deterioration in the income inequality situation. Because of this unabated inequality, extreme poverty at the national level remains at 12.9% of the population. A considerable amount of the national budget, 13.81% in the 2018-19 fiscal year, is allocated for the social safety net program, a part of which is targeted for poverty alleviation. By analysing the total poverty gaps, the paper shows that only 3% of the budget is required to address extreme poverty in Bangladesh. The government needs to prioritise channelling funds and creating economic activities in the regions affected by disproportionately high poverty rates instead of taking general shallow poverty reduction measures across the board.

JEL Classification C15 • P16 • D31 • D63

Keywords Economic Growth • Income Inequality • Poverty Reduction • Social Protection • Safety Net • Gini Index.

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1. Introduction

In the last few years, Bangladesh has progressed rapidly in terms of its economic growth. In the current US dollar, the average annual growth rate of per capita GDP during the 2008-2017 period was 9.8%¹, which was the highest in the South Asia region. The annual average growth rate of per capita income was the lowest, 3.5%, for Afghanistan in this region. In real terms, however, the constant dollar annual average per capita GDP growth rate was 4.9% for Bangladesh, and India had the highest 5.7% real per capita GDP growth rate in this period, implying that the inflation experience was not similar across the region. In both nominal and real terms, trends in per capita GDP for the South Asian countries are plotted in Figures A1 to A4 in the appendix.

In the absence of an inflation differential, the dollar measure of per capita income is suitable for cross country comparison of the living standard if the exchange rate reflects the national price levels of countries. However, due to the non-traded goods, exchange rates only partially reflect price levels. So, a better comparison of living standards across countries can be found in the per capita income in terms of purchasing power parity (PPP) dollars, where exchange rates are estimated based on the idea that, if 1 PPP dollar = 33 taka, then 33-taka worth of goods and services available in Bangladesh can be purchased by 1 US dollar in the United States. Trends in real per capita income in PPP dollars, both constant across countries and time, of the South Asian countries are shown in Figures A5 and A6 in the appendix. It is clear from the figure that purchasing power of income has increased relatively rapidly for all of the countries in South Asia in the recent period.

Rapid growth in per capita GDP has helped Bangladesh reduce poverty from 31.5% in 2010 to 21.8% in 2018. As defined by the international poverty line of 1.90 PPP dollars per day, extreme poverty had fallen from 17.6% in 2010 to 8.5% in 2018². The grain of salt to be taken with this income growth is the alarming inequality situation. The trend for income inequality, as measured by Gini coefficients, is upward, even if moderately. In the presence of high inequality, mild growth can be accompanied by a deteriorating poverty situation. The current poverty rate suggests that there are still two crore people living below the \$1.90 PPP dollar (equivalent to about 63 takas per day) poverty line.

¹ The average annual growth rate is estimated by log-linear least squares regression, regressing log of per capita GDP on a time trend. The regression method gives consideration to all data points in the series; thus, it is the least likely to be biased by a randomly high or low beginning or ending year values.

² https://en.wikipedia.org/wiki/Poverty_in_Bangladesh#cite_note-3

Since a large number of the population cannot even fulfil their daily calorie requirement, income transfer from the richer segment of the population to the poverty-ridden population is essential. Government is the key actor in implementing this transfer, though private sectors also play an essential role in reducing poverty through various types of charity and NGO activities. The department through which the government transfer takes place in the ministry of social welfare. Around 13.81% of the total budget in the 2018-19 fiscal year was allocated through this ministry to protect the vulnerable people of the society. The programs implemented through this department include old age allowance for the elderly, allowances for widows and poor women, food subsidies for VGD cardholders, honorarium for freedom fighters. The purpose of this paper is to examine the adequacy of the existing protection measures in eradicating poverty.

The rest of the paper is organised as follows: Section 2 presents the income situation and trend over the past decade in Bangladesh compared to its South Asian partners. Section 3 examines income inequality and its implication for poverty reduction. Section 4 presents the social safety net measures of the government and evaluates their adequacy. Section 5 highlights a major social problem, begging in the major cities, that is not getting proper social welfare measures. Finally, Section 6 concludes the paper with a few recommendations for tackling poverty.

2. Performance on Income Measure

Among all the economic indicators of development, per capita income is probably the best one, as it is likely to be desirably associated with other development indicators. Cross country evidence shows, for example, that per capita income is positively associated with the level of education while negatively linked with the child mortality rate. Baird et al. (2011) investigate whether short-term fluctuations in aggregate income affect infant mortality using an extensive data set of 1.7 million births in 59 developing countries and find that per capita GDP and infant mortality are negatively associated. Similarly, Houwelling et al. (2005), in their cross-national analysis of 43 developing countries, using wealth-group specific under-5 mortality rates as the outcome, find that higher national incomes are associated with lower under-5 mortality rates.

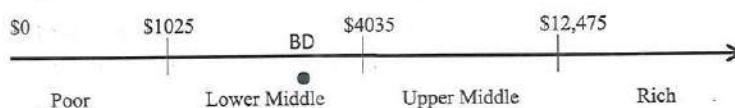
There are several possible channels through which educational attainment and family incomes are related. Low-income families contain characteristics such as low parental education, need for extra income, and break-up of the family, which may leave the children more prone to low educational attainment. The economic literature on the causal relationship between income and educational attainment,

such as Becker and Tomes (1986), suggests that low-income families have a lower capacity to incur direct financial investments in children's human capital. This investment includes money for fees and maintenance in higher education. Blanden and Gregg (2004) investigate whether family income has a causal impact on educational attainment. Their evidence indicates some critical relationships between family income and educational attainment in the UK and that these relationships have been strengthening through time.

The current income level of a country is a reflection of its historical income trend. World Bank classifies countries into lower income, lower middle income, higher middle income, and higher income, solely based on their per capita income in current US dollars. Countries with a per capita income below \$1,025 per year are low-income countries. Per capita income between \$1,025 and \$4,035 per year belongs to a lower middle-income country, and the income range from \$4,035 to \$12,475 creates the upper-middle-income class. With a per capita income above \$12,475 a country is classified as a rich or high-income country. The position of Bangladesh in this income classification scale is shown in Figure 1 below.

The position of Bangladesh along the income classification line (shown by a dot) is in the lower middle income country region, and the progress depends on the growth of its nominal per capita GDP. However, a common practice in Bangladesh is to report growth rate in terms of GDP measured at constant dollars (not in per capita nor in the current dollar term). For example, the widely publicised 7.84% growth rate for Bangladesh in 2017-18 refers to the per capita

Figure 1: Bangladesh's Position in the Income Classification Scale



real income (constant dollars) growth rate over the previous year. However, when considering the change in living standards, we seem to follow the practice of reporting per capita income in the current dollar term, such as the per capita income of Bangladesh in the year 2018 was \$1751 at current prices. Predicting per capita income changes requires information about the growth rate of per capita income in current US dollars. Conjecture about the future average growth rate of per capita income can help us predict the time required to reach the upper-middle-income country status for Bangladesh.

Table 1 shows the year-to-year growth rate of per capita GDP in current US dollars in Bangladesh and other South Asian countries for the past ten years. The bottom two rows of the table show the arithmetic mean and standard deviation of

these growth rates. The growth rate of per capita GDP in current dollars has been exceptionally good (more than 10 per cent per year) for Bangladesh in the last decade, except for the year 2012, when the growth rate of per capita nominal income was only 2 per cent.

In the last decade, the mean growth rate for Bangladesh was a consistent (low standard deviation) of 11 per cent. Applying the rule of 70 implies³ that the current per capita income in nominal terms (1516 dollars in 2017) will be doubled at 3032 dollars in 2023. One might be interested to know the time required to reach the upper-middle-income country status for Bangladesh. Uses of the compound average growth rate (CAGR) formula can give us some idea in this direction. The formula is where YUM is the lower boundary of the upper-middle-

Table 1: Growth Rate of Per Capita GDP in Current US dollars

Country / Year	Afghanistan	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri Lanka
2008	0.01	0.14	0.03	-0.03	0.18	0.20	0.09	0.25
2009	0.19	0.11	-0.01	0.10	0.00	0.01	-0.03	0.03
2010	0.24	0.11	0.23	0.23	0.07	0.23	0.03	0.34
2011	0.09	0.10	0.13	0.09	0.04	0.17	0.18	0.14
2012	0.11	0.02	-0.01	-0.01	0.01	-0.01	0.03	0.04
2013	-0.05	0.11	-0.03	0.00	0.11	0.01	0.01	0.08
2014	-0.01	0.14	0.07	0.09	0.09	0.03	0.04	0.06
2015	-0.09	0.12	0.04	0.02	0.06	0.06	0.08	0.01
2016	-0.01	0.12	0.06	0.07	0.03	-0.02	0.01	0.00
2017	0.04	0.12	0.12	0.13	0.07	0.15	0.07	0.05
Mean	0.05	0.11	0.06	0.07	0.07	0.08	0.05	0.10
s. d.	0.11	0.03	0.08	0.08	0.05	0.10	0.06	0.11

Note: s. d. = standard deviation

Source: Author's computation from the WDI data.

income class, which is \$4035, Y0 is the current income (\$1516 in 2017), g is the average annual growth rate of nominal per capita income (11% in optimistic case or 9% for conservative estimate), and t is the time required to achieve the upper-middle-income status. Putting the values and solving equation (1) for t yields 7.6 years in the optimistic case. Progressing at the current pace, we can hope to reach the upper-middle-income status in the year 2025. If the average growth rate of per capita income is 0.09, a figure estimated from regression-based average growth

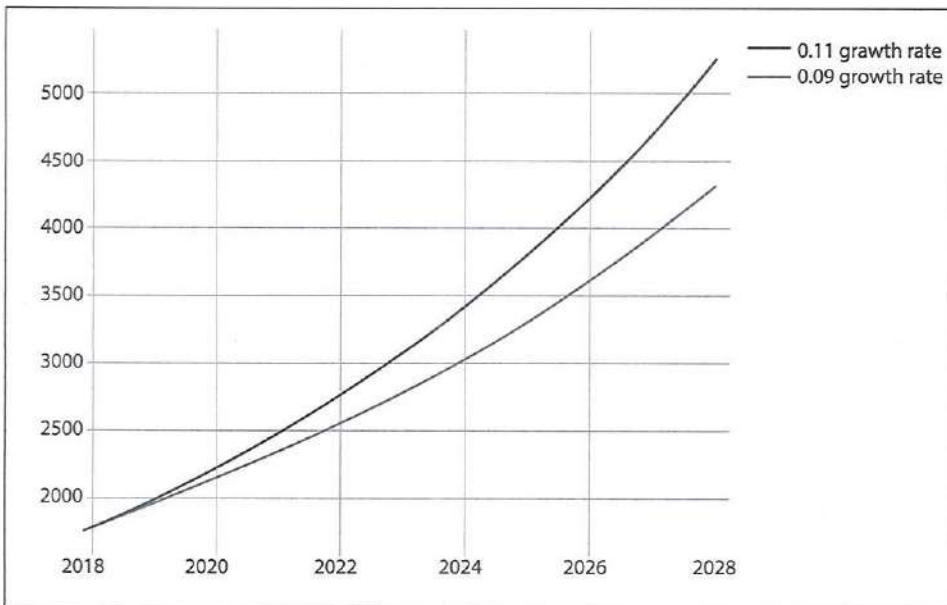
$$Y_{UM} = Y_0 e^{(g \times t)} \dots\dots\dots (1)$$

³ The rule of 70 says that the doubling time of a variable is 70 divided by the growth rate of the variable.

estimate, then it will take about 9.3 years to reach the upper-middle-income status, and the year will be after 2027. The paths of per capita income based on 11% growth rate (arithmetic mean) and 9% growth (regression-based average growth) are shown in Figure 2.

Middle Income Country vs Least Developed Countries (LDCs): A closely related concept but often confused with the income classification by the general public is the least developed country (LDC) status. Criteria for LDC membership are much more complicated than the income classification criteria, as the former includes several indices and sub-indices. Along with income, it includes a human asset index (HAI) and an environmental vulnerability index (EVI) to evaluate the LDC membership. The HAI is composed of two sub-indices, one related to

Figure 2: Predicted Path of Per Capita Income for Bangladesh under Two Growth Scenarios



education and the other related to health. The EVI similarly has two sub-indices, one related to the shocks experienced by an economy and the other related to the economy's exposure to such shocks. Various components and their weights used to construct these sub-indices are shown in column three of Table 2. In constructing the HAI and the EVI indexes, original values of the constituent indicators are converted into index numbers based on a max-min procedure (see Committee for Development Policy and the United Nations, 2018 for details of the index construction procedure). Scores required on the leading three indices to

graduate from the LDC to the Developing Country status are shown in the fourth column of the table. Various components and their weights used in constructing the main indexes are illustrated in the third column of the table. The current status of Bangladesh on these indices is shown in the final column. Bangladesh has fulfilled all the graduation criteria for leaving the LDC club in the tri-annual review of the Committee for Development Policy (CDP) of the United Nations in 2018 for the first time. If these criteria can be maintained in the following two triennial reviews, the CDP will recommend Bangladesh's graduation from the LDC list in 2024. However, due to the worldwide economic stagnation arising from the COVID related pandemic situation, Bangladesh has been granted two more years and is expected to be graduated from the LDC status in 2026.

Graduation from the LDC status is prestigious but involves some costs. Many concessions offered by the developed nations to the LDC countries will no longer be available. Two such lost concessions are unable to get duty free access to the market of the developed nations and the unavailability of grants and concessional loans under the official development assistance (ODA). So it may be more challenging for the government to acquire resources to allocate resources to the social safety net program. However, these arguments for LDC membership are weakened because these countries have attained higher income and capacity for living standards by graduating from the LDC status. So, they can afford to skip the privileges offered to the LDC countries and allocate funds for the poor from their own coffers.[see Table: 2]

3. Development Challenge of Reducing inequality

With the proliferation of the free-market ideology, income and inequality are rising *pari passu* worldwide. A recent Oxfam report shows that the top 10 person has wealth that equals the total wealth of half of the world's population. What is more alarming is that while the richer's wealth is increasing, the wealth of the poorer is falling. A similar pattern of development is found in Bangladesh. A study conducted by the Centre for Policy Dialogue shows that in 2016, the top five per cent of Bangladesh's income-earners earned 121 times more than the bottom five per cent, in a jump from 31.5 times in 2010. It means that during the interim period, the rich people have almost quadrupled their share of the total national income.

The situation is more frustrating when it comes to wealth inequality between the top five per cent and the bottom five, which has more than doubled during the same period. With these findings, CPD (2018) concludes that while the country is performing better in specific development indicators, income and asset inequalities continue to exist and may emerge as a significant threat to the overall

Table 2: Requirements on Various Components of the LDC Graduation Criteria

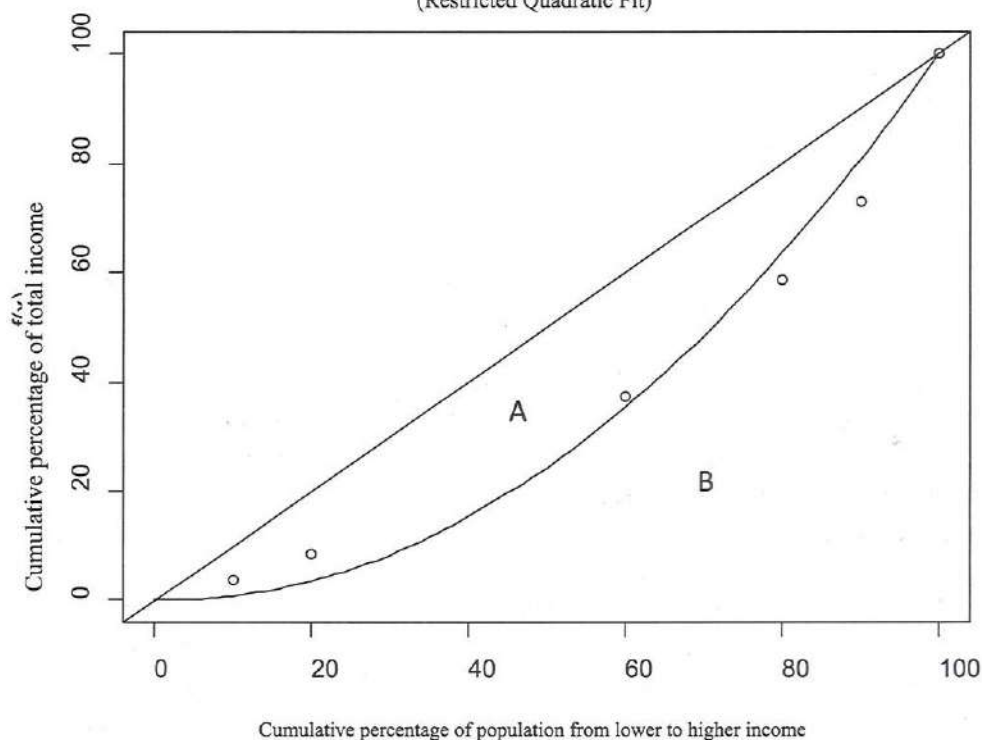
Dimension/ Category/ Index	Sub-index (weight) [index Value]	Components (weight)	Requirements on the main index	Current Status (2018)	
1. Income	None	GNI Per capita per year in current US dollars (last three years' average)	$\geq 1,230$	1,751	
2. Human Asset Index (HAI)	2a) Health Index (1/2) [84.7]	2a_i) Under-five mortality rate (1/6) 2a_ii) Per cent of the population undernourished (1/6) 2a_iii) Maternal mortality rate (1/6)	≥ 66	73.2	
	2b) Education Index (1/2) [61.6]	2b_i) Gross secondary school enrolment ratio (1/4) 2b_ii) Adult Literacy Ratio (1/4)			
		3a_i) Size (Population, 1/8) 3a_ii) Location (Remoteness, 1/8) 3a_iii) Economic Structure, (1/8)			
	3. Economic Vulnerability Index (EVI)	3a) Exposure Index (1/2) [22.8]	-- Merchandise export concentration (1/16) -- Share of agriculture, fishing, hunting, and forestry in GDP (1/16)		
			3a_iv) Environment (1/8) -- Share of population in low elevated coastal areas (1/8)	≤ 32	25.2
		3b) Shock Index (1/2) [27.6]	3b_i) Trade Shock 1/4 -- Instability of export of goods and services(1/4)		
3b_ii) Natural Shock (1/4) -- Victim of natural disaster(1/8) -- Instability of agricultural production (1/8)					

Source: Authors construction from information obtained from United Nations Committee for Development Policy Secretariat, Triennial review dataset 2000 – 2018.

economy if adequate policy attention is not given to the poor, vulnerable groups and the conditions that perpetuate inequalities and marginalisation.

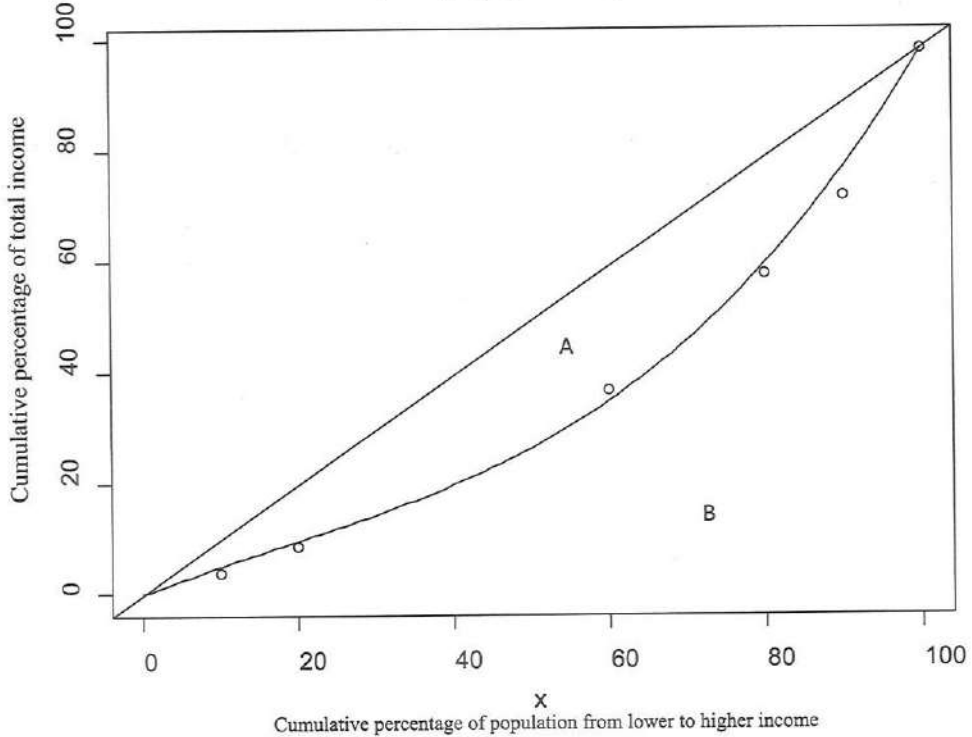
A popular way of analysing inequality is the use of the Lorenz curve and the Gini index. Though significant from the perspective of measuring development, the Gini index is reported less frequently. Since 1972 it has been reported only eight times for Bangladesh in the World Development Indicators (WDI) published by the World Bank, while the income data are published each year. In this section, the author estimates a Lorenz curve from the income share data and uses it to examine Bangladesh's poverty situation. The income share data used in this context are income share of the top 10, top 20, bottom 10, bottom 20, and the 4th

Figure 3(a): Estimated Lorenz Curve for BD for the year 2016
(Restricted Quadratic Fit)



quartile. From these data, a series of cumulative income shares from the lowest to the highest income category is computed to estimate the Lorenz curve. The cumulative income share data plotted against the cumulative population share data and two alternative fit through these data are shown in Figures 3(a) and 3(b).

Figure 3(b): Estimated Lorenz Curve for BD for the year 2016
(3rd-degree polynomial fit)



To estimate the Lorenz curve, we want the best fit through these data points. Two alternative approaches are applied for this purpose: (i) estimate a quadratic fit in such a way that the fitted line passes through the origin and the point (100, 100), and (ii) fit a polynomial regression through these points, including the origin and the point (100, 100). In both cases, we compute a Gini coefficient and compare it with the World Bank estimate.

The Restricted Quadratic Fit: The quadratic equation to be estimated is, Where a, b, and c are three parameters of the equation, and e is an independent error term with zero mean and constant standard deviation. Since the equation passes through the origin, a = 0 restriction is imposed on equation (1). Similarly, as it also passes through the point (100,100), when X = 100, then Y = 100, we can impose another restriction on the parameters relating to b and c. Assuming e = 0 (its average value) and putting the values of X and Y gives this other restriction, which implies that the coefficient restriction in (1) is, Incorporating the restriction

$$Y = a + bX + cX^2 + e \dots\dots\dots (1)$$

in (1), we estimate, Applying the ordinary least square method, the coefficient estimate from the transformed model (1b) is $c = 0.0124$, and the restriction (R1) implies that $b = -0.0239$. So the restricted estimation of the quadratic equation (1) is, where the delta method has been applied to find the standard error of the coefficient of X. The fitted line (1c) and a diagonal line, $Y = X$, representing the perfect equality line are shown in Figure 3(a). The summary Gini coefficient measure of inequality is then obtained as the area A divided by the area (A + B)

$$100 = 0 + 100 \times b + 100 \times 100 \times c$$

$$b = (1 - 100c) \text{ -----(R1)}$$

$$Y = (1 - 100c)X + cX^2, \text{ or}$$

$$(Y - 100X) = c(X^2 - 100X) \text{ or}$$

$$M = cN \text{ ----- (1b)}$$

Where $M = (Y - 100X)$, and $N = (X^2 - 100X)$.

in the figure. The area (A + B) is found by integrating $Y=X$ with respect to X from 0 to 100, or simply by dividing the area of the box (100×100) by 2, which is 500, and area A is found by taking the difference of the integration of $Y = X$ and equation (1c) with respect to X from 0 to 100, which is found to be 3293. So the

$$G = 3293 / 5000 = 34.13$$

estimated Gini coefficient is, The estimated Gini index is likely to be upward biased as the first two points (observations) are above the estimated Lorenz curve and the last two points below the curve, which means that we are underestimating the income share of the poor and overestimating the income share of rich persons. In search of a better fit, polynomial regression is tried next.

$$Y = -0.0239X + 0.0124X^2 \text{ ----- (1c)}$$

s.e. (0.1380) (0.0013)

Polynomial Fit: These data make various orders of polynomial fits possible, and a second-order polynomial fit is a quadratic fit. Increasing the order of polynomial improves the fit but sacrifices the degrees of freedom while decreasing the order of polynomial does the opposite. After some experimentation, it was found that a third-degree polynomial without an intercept

fitted well the data points. The fitted third-degree polynomial model is shown in Figure 3(b), and the fitted model is, Following a similar procedure that was applied in the case of quadratic fit, the Gini index was found to be 32.59, which

$$Y = 0.5312X - 0.0048X^2 + 0.00009X^3 \text{ ----- (2)}$$

s.e. (0.2045) (0.0056) (0.00004)

is very close to the World Bank estimate of 32.4. As the fit is better than the quadratic fit, we keep the Lorenz curve represented by equation (2) used for inference and prediction purposes. An important use of this Lorenz curve in estimating the poverty gap is the amount of money required to pull the poor people out of the poverty line. We know from the World Bank data that in 2016 the percentage of the population that lived below the extreme poverty line was 12.9%, and the estimated Lorenz curve implies that these people have a 6.24 % share of the total income in Bangladesh, which is roughly (0.0624×221.415) or 13.8163 billion US dollars in that year. In monthly per capita term this becomes, $(\text{Monthly GDP of the extreme poor population} / \text{Total number of extreme poor}) = (13.8163 \times 78.47) / (0.160 \times 0.129 \times 12)$ or 4,377 taka per month.

According to the Household Income and Expenditure Survey (HIES) 2016/17, the minimum required expenditure above the extreme poverty line is between 1,677 and 2,135 taka per month, depending on the region. The international extreme poverty line value of \$1.90 PPP dollar per day, which converts to 1881 taka per month at the 1 PPP dollar = 33 taka conversion rate, lies between these two values. A sample survey of 46,000 households covering nearly two crore individuals all over Bangladesh shows that the national monthly average consumption expenditure on food and non-food items is 3,800 taka per person. Since our national saving rate is about 24 per cent, this implies a per capita income of $3,800 \times (1 + 0.24)$ or 4,712 taka per month. The figure drastically contrasts with the national income account reported $(221.415 \times 78.47) / (0.160 \times 12)$ or 9,049 taka per capita per month figure. So, the HIES survey is likely to underrepresent the richer segment of society.

It is hard to believe the extreme poverty rate data if we rely on the national income and income share data. Since the HIES survey is conducted over a whole year and guided by a team of international experts, it is reasonable to accept the poverty estimate provided by this survey. What is essential to know for targeting poverty alleviation is the concept of the poverty gap. Two countries might have the same number of people under the poverty line, but the challenge of poverty reduction might be pretty different if their poverty gaps are different. The total

poverty gap allows us to estimate the required amount of money to pull the extreme poor out of the poverty line. If the poverty line is Z and the income of a person is Y_i , then the poverty gap, G_i , for that person is, Where $I(Y_i < Z)$ is an

$$G_i = (Z - Y_i) \times I(Y_i < Z) \text{ ----- (3)}$$

index function which equals 1 if the person is below the poverty line and 0 if he or she is above the poverty line. Sum of G_i is the total poverty gap for an economy. If desired, a poverty index for a population of size N can be calculated

$$PG = \frac{1}{N} \times \left(\sum G_i / Z \right) \text{ ----- (3b)}$$

as, The poverty gap index calculated for the Bangladesh economy for 2016 is 2.71% or 0.0271 in the HIES 2016/17 survey. Using the poverty line, $Z = 1881$ taka per month and the number of extreme poor $N = (0.129 \times 0.160)$ or 0.02064 billion, equation (3b) tells us that the total poverty gap for Bangladesh is $\sum G_i = 1.052126$ billion taka per month or 12.62551 billion taka per year. Since the GDP of Bangladesh in 2016 was 221.415 billion dollars or 17374.45 billion taka, the total poverty gap represents 0.07 per cent of GDP or about 3% of the budget. Ironically well above 2% of GDP has been allocated for the social safety net program in the budget for the past few years. The social safety net budget in 2018-19 was 2.53% of GDP or 13.81% of that year's budget.

The purpose of the next section is to examine the relative importance of various components of the social safety net budget of the 2018-19 fiscal year. A major share of this budget is not directed spent on the extreme poor. We need to examine the details of the social safety net portion of the budget to find out why extreme poverty still exists in society even though more than required allocation to close the poverty gap is in the budget.

4. Social Safety Net Programs

In a socialist economy, states take responsibility for distributing wealth and providing basic needs for everybody in society. This type of economic organisation, however, creates disincentives and reduces aggregate wealth or national income. A market-oriented economy, where most of us live today, allows individual freedom and thus maintains work incentive, but lead to a highly unequal distribution of wealth in the society. Many people, who do not have access to resources and skills, are not included in the growth process. Poor people living below the poverty line are visible along with the affluent people in a free market system.

Table 3: Budget and Coverage for Some Items in the SSNPs

Sl	Head	Per Capita Allocation (Per Month)	No of Beneficiaries (Persons)	Total Allocation (Crore tk.)	Potential Population
1	Old age allowance	500/-	4,000,000	2,400	13 million ¹
2	Widow/oppressed women allowance	500/-	1,400,000	840	4.5 million ²
3	Disabled (insolvent) allowance	700/-	1,000,000	840	16 million ²
4	Education stipend allowance for disabled	745/-	90,000	80.37	16 million ²
5	Special allowance for transgender people	1357/-	7,000	11.4	10,000 ³
6	Financial assistance for the patient with cancer, heart, liver, and kidney disease	50,000/- lump-sum	15,000	75	unknown
7	Improving livelihood of tea labourers	417/-	40,000	20	4,40,743
8	Maternal, Adolescent, Child Health	15/-	131,387,000 (visits)		unknown
9	Maternal allowance for working lactating mothers	828/-	250,000	248.5	unknown
10	Vulnerable group development (VGD)	NA	14,247,000 (man month)	1,685	20 million
	Total (including other items)		7,632,480	64,177	20,000,000 ⁴

Notes:

- <https://ageingasia.org/ageing-population-bangladesh/>
- https://www.thefinancialexpress.com.bd/views/plight-of-widows-how-to-mitigate-their-sufferings-1529420570#:~:text=In%20Bangladesh%20an%20estimated%204.5,of%20widows%20far%20exceeds%20widowers.https://en.wikipedia.org/wiki/Disability_in_Bangladesh#:~:text=There%20are%20an%20estimated%2016,10%25%20of%20the%20country's%20population.
- https://en.wikipedia.org/wiki/LGBT_rights_in_Bangladesh
- Total does not add up as a person may be in multiple categories

Table 4: Priorities in the SSNP Budget

Sl	Items	Coverage (lac)	Budget (crore taka)	Percentage of SSNP Budget	Per Capita Allocation
1	Pension for Retired Government Employees and their Families	6.3	22639.46	35.28	29946.38
2	Honorarium for Freedom Fighters	2	3305	5.15	13770.83
3	Rural Infrastructure Development	0	3242	5.05	NA
4	Old Age Allowance	40	2400	3.74	500
5	Vulnerable Group Feeding (VGF)	64.72	1730.81	2.7	222.86
6	Vulnerable Group Development (VGD)	142.47	1685.07	2.63	98.56
7	Employment Generation Program for the Poor	8.27	1650	2.57	1662.64
8	Primary School Stipend	143.95	1550	2.42	89.73
9	Test Relief (TR) Cash	19.06	1390	2.17	607.73
10	Development Support for Special Needs	0	1126.91	1.76	NA
11	One House One Farm	9	1050.79	1.64	972.95
12	* Community Based Health Care	1340	1001.9	1.56	6.23
13	* Maternal, Neonatal, Child and Adolescent Health	697.95	987.6	1.54	11.79
14	Food For Work (FFW)	11.01	987.58	1.54	747.49
15	Ashroyan-2 & 3 Project	10.65	913.7	1.42	714.95

Source: Computed from data obtained from

<https://mof.portal.gov.bd/site/page/32220b73-846f-4a33-b4c0-a6650c918e25/Safety-Net>

Governments' role in such a society is to create a mixed economic system by transferring resources from rich to poor through various types of government interventions or policies. Both direct and indirect measures are taken to transfer resources. Taxes, direct cash transfers, selling foods at a subsidised rate, and providing training programs that benefit the poor are examples of such transfers. All the measures that directly or indirectly benefit the poor are known as social safety net measures. Each year government allocates a large size of funds for the social safety net programs (SSNP). In the 2018-19 fiscal year, the government allocated 64,177 crore taka (13.61% of the budget) for the social SSNPs.

Table 3 shows a portion of the social safety net budget with many publicised items in the media. Note that these widely publicised programs account for only

9.55% of the total allocation for the Social Safety Net Programs. Inclusion of items like old age allowance, disability allowance, maternal allowance, allowance for VGD cardholders, will definitely have positive impacts on the poverty reduction efforts of the government. However, per capita allocation is insufficient to get them out of the poverty line. In most of the cases the allocation is within 500 taka per person per month, where the minimum required amount should be 1881 taka per person per month to meet their basic needs. Just a reallocation of the current available fund can achieve this target.

In terms of the total allocation, the most prioritised expenditure head is the pension for the retired government employees (35.28% of the SSNP budget). The following two priority expenditures are the Honorarium for the Freedom Fighters (5.15% of the SSNP budget) and Rural Infrastructure Development (5.05% of the SSNP budget). Within these and other prioritised expenditure heads, both poor and non-poor are included.

5. The Menacing Begging Problem

One of the major problems of the country is the begging problem in the big cities. Though there is an estimate for the number of extreme poor whose earning is below \$1.90 PPP dollars per day or around Tk.8,000 per month, there is no estimate of the total number of beggars in the country whose income is zero (they do not work) and survive on the charity of others. In an estimate, BBC in 2010 found that 40,000 beggars live in Dhaka city only. However, no estimate could be found for the beggar population for the whole country. Most beggars reside in big cities and can be found in front of mosques during the Juma prayer on Friday. In city areas, the number of beggars appearing in front of mosques is much larger than in other parts of the country. The severity of the begging problem in terms of their numbers can be easily imagined with some educated guess.

According to the government estimate, there are more than 300,000 mosques in the country. If the average number of beggars is 10 per mosque that appears in atypical Friday prayer, then the number of beggars in the country will be around 30 lakhs. The actual figure will, of course, vary depending on the actual number of average beggars per mosque. It is important to estimate the number of beggars in the country so that the government can understand the scale of the program to eradicate the begging problem.

The government is currently paying attention in village areas to eradicate the begging problem through its "one house one firm" program. The government expects to rehabilitate 1 lakh beggars by the next four years through this initiative. However, as mentioned before, begging is more severe in city areas than in village areas. The government has passed laws restricting begging in the diplomatic area and the

cantonment area. However, this measure will not help reduce the begging problem. It will only take beggars from one area and concentrate them in other areas.

A potential source for funding the beggar eradication program can come from the huge amount of zakat money the solvent Muslim families spend each year. Spending money independently in an uncoordinated way by many individuals may bring temporary relief to the poor or beggar, but do not help eradicate the poverty or begging problem. Unplanned distribution of zakat by wealthy individuals sometimes claims many lives of the poor scrambling for zakat. Government has a scheme for collecting zakat money through which a small portion of the total zakat money spent in the country is collected. Zakat money is tax-free, but unless the government conspicuously displays its activities with the zakat money collected, many people will not be interested in giving their zakat money to the government zakat fund.

6. Concluding Remarks

Income growth, economic inequality and the role of the social safety net program in eradicating poverty in the context of Bangladesh are examined in his paper. Though income growth was excellent during the past few years, high inequality remains a headache for policymakers. The paper shows that eradicating extreme poverty should not be a challenging task for the government, as it requires less than one per cent of the national budget to pull all the extreme poor out of the poverty line.

Some of the existing social safety net measures that cover many poor are found inadequate. Most of the existing allowances, including the old age allowance, are within 500 taka per person per month, where to pull people out of the extreme poverty line requires an amount of 1881 taka per person per month. It should not be difficult for the government to re-allocate funds in favour of direct poverty reduction measures. Since poverty is not evenly distributed across regions or social classes, priority should be given to areas with a relatively higher incidence of poverty.

Finally, a highly neglected social problem escaping the attention of the policymakers is the begging in the country's major cities. No survey is made by the government or by any private organisation to estimate the beggar population. Current budget allocation to directly address the beggar population is inadequate or invisible, though beggars are highly visible in cities. It will be an irony for the country when we are officially declared poverty free in papers or documents within a few years, but numerous beggars will be sitting in the street or queue in front of mosques at Friday prayers which will be a big black spot in the face of development.

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Appendix

Figure A1: Per capita income (Current US dollars) trend excluding the Maldives

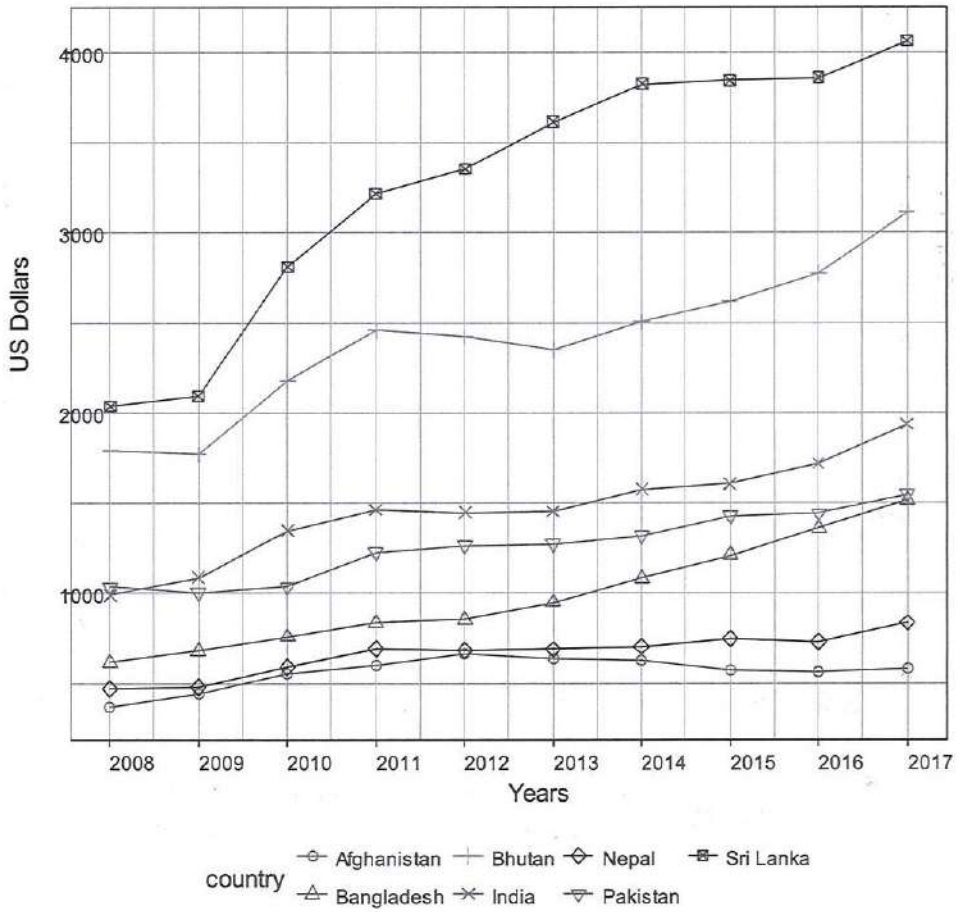


Figure A2: Per capita income (Current US dollars) trend including the Maldives

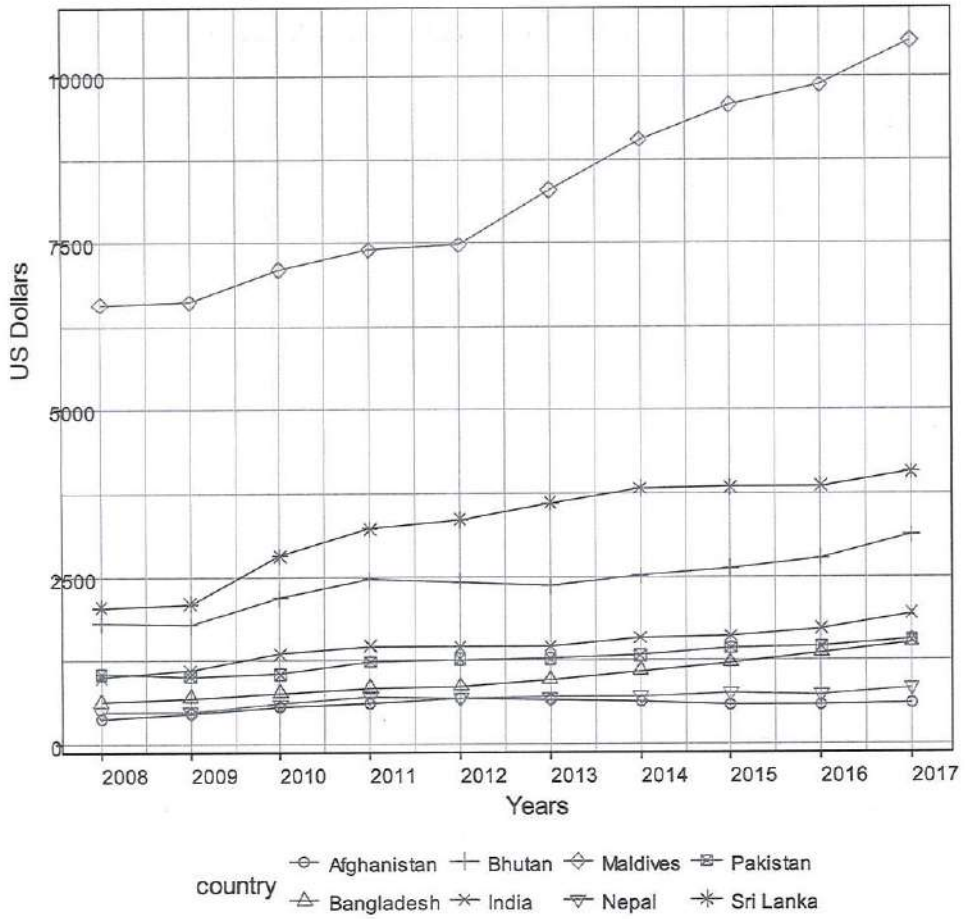


Figure A3: Per capita income (Constant 2010 US dollars) trend excluding the Maldives

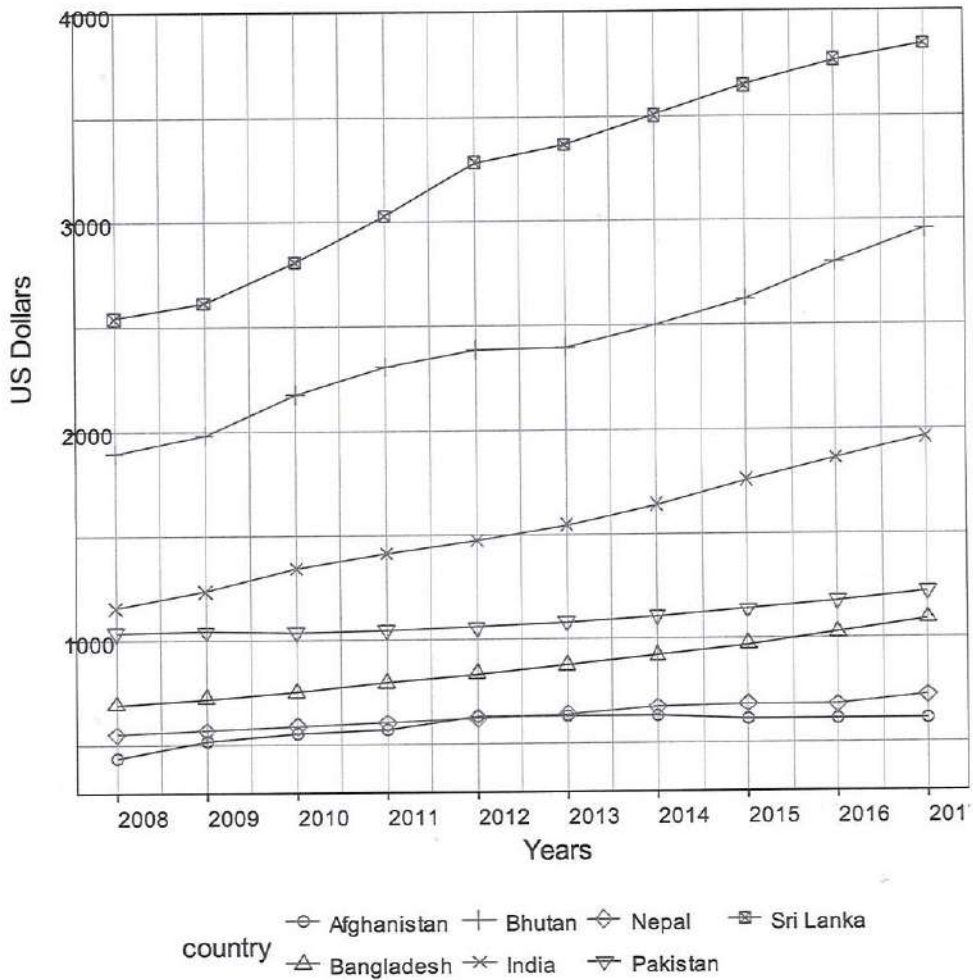


Figure A4: Per capita income (Constant 2010 US dollars) trend including the Maldives

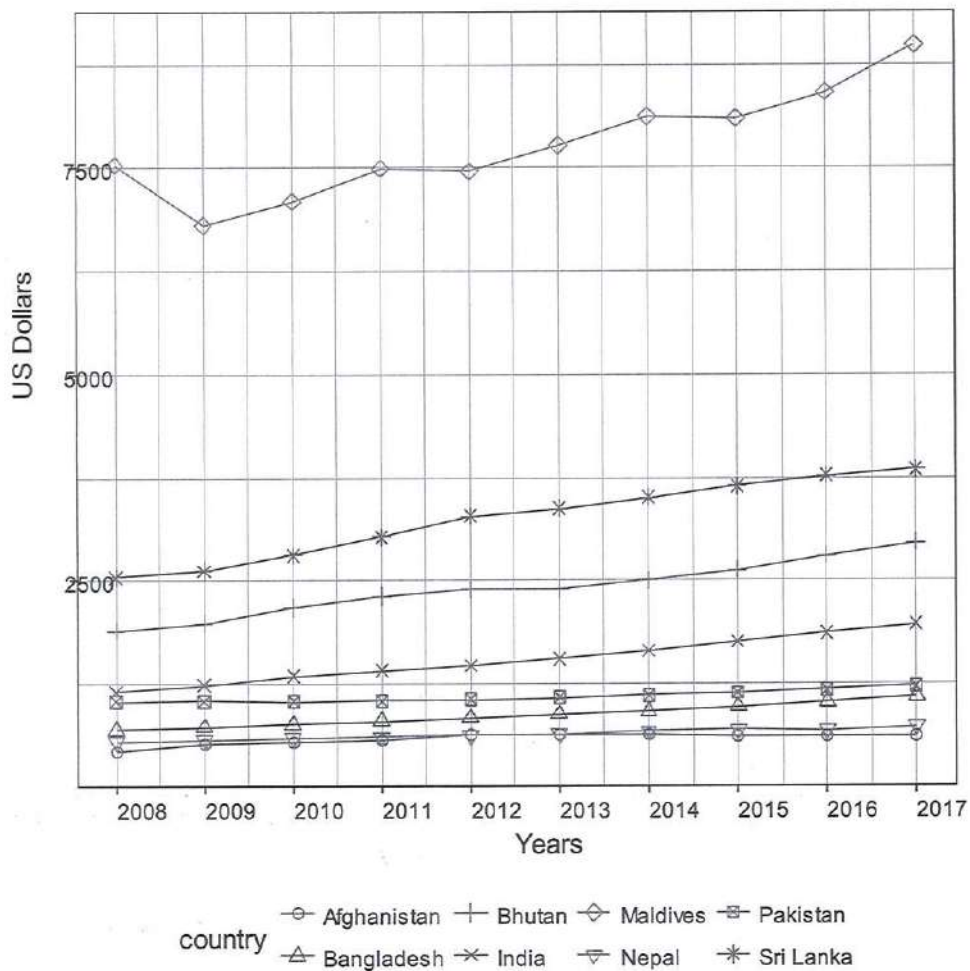


Figure A5: Per capita real income (PPP Measure) trends with prices constant across countries (2005 US dollars) excluding the Maldives

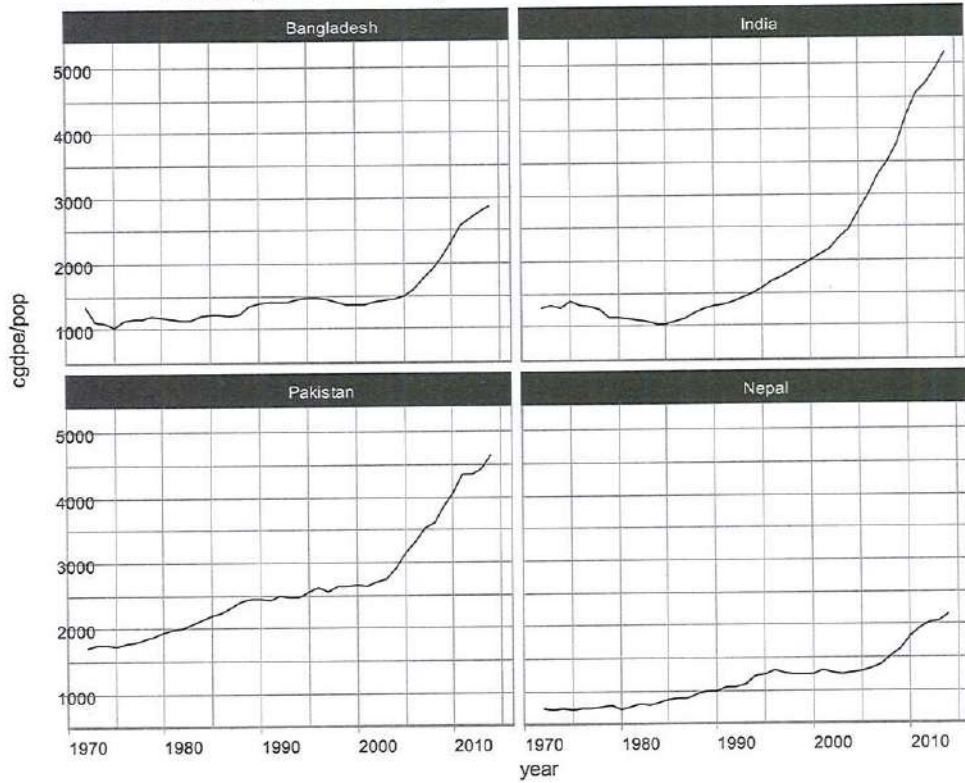


Figure A6: Per capita real income (PPP Measure) trends with prices constant across countries and years (2005 US dollars, rgdp = cgdp in 2005), including the Maldives

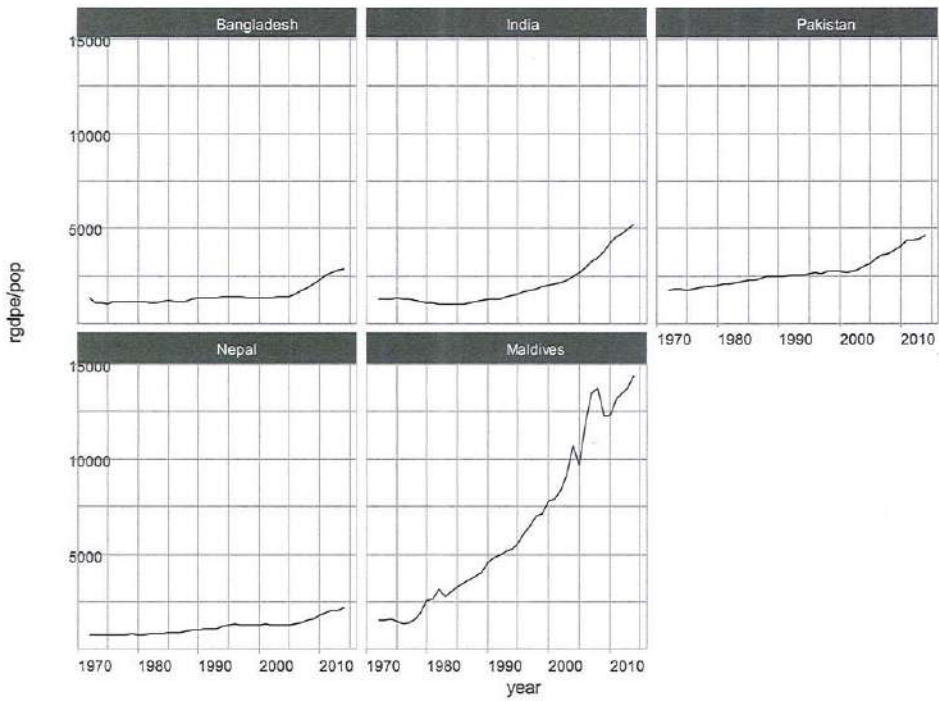


Figure A 7: Per capita real income trends with prices constant across countries and years (2005 US dollars, rgdp = cgdp in 2005), including the Maldives

